

**SCHEDULE 1A -- NON-ARM'S-LENGTH
TRANSPORTATION SYSTEM/
SEGMENT OPERATIONS,
MAINTENANCE AND OVERHEAD
EXPENDITURES**

PAYOR IDENTIFICATION BLOCK		
Payor Name and Code:		
Accounting ID No:		
Selling Arrangement Code:		
Facility ID No:		
Segment ID No:		
Period:	19	to 19

☐ Estimated Costs - Check when estimating costs for system/segment start-up.

A. Lessee's Operating Costs for System/Segment

Operations Supervision and Engineering	\$	<div>1</div>
Operations Labor		<div>2</div>
Utilities		<div>3</div>
Materials		<div>4</div>
Ad Valorem Property Taxes		<div>5</div>
Rent		<div>6</div>
Supplies		<div>7</div>
Other (specify). Attach Supplemental Schedule 1A		<div>8</div>
as necessary		<div>9</div>
Total Operating Costs -- Subtotal	\$	<div>10</div>

B. Lessee's Maintenance Costs

Maintenance Supervision	\$	<div>11</div>
Maintenance Labor		<div>12</div>
Materials		<div>13</div>
Other (specify). Attach Supplemental Schedule 1A		<div>14</div>
as necessary		<div>15</div>
Total Maintenance Costs -- Subtotal	\$	<div>16</div>

C. Lessee's Overhead Allocation (specify)

	\$	<div>17</div>
		<div>18</div>
Other (specify) use Supplemental Schedule 1A		<div>19</div>
Total Overhead Allocation	\$	<div>20</div>

D. Total Operating and Maintenance Costs (Line 10 + line 16 + line 20)	\$	<div>21</div>
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E. <u>Allocated to Segment</u> Lease Volume _____ ÷ Total throughput _____	\$	<div>22</div>
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F. Segment Allocated Operating, Maintenance, and Overhead Costs (Line 21 x line 22) Enter in column d, Schedule 1	\$	<div>23</div>
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THIS INFORMATION SHOULD BE CONSIDERED (Please check one) ☐ PROPRIETARY ☐ NONPROPRIETARY

INSTRUCTIONS FOR COMPLETING FORM MMS-4295, SCHEDULE 1A

Schedule 1A is used to record reasonable actual operating, maintenance, and overhead costs for a transportation segment for the prior reporting period. A separate Schedule 1A must be completed for each segment in the transportation facility. The costs for all transportation facility segments are accumulated on Schedule 1 to determine the total operating costs for the facility. A list of allowable and nonallowable costs is provided herein and should be used as a guide in determining operating, maintenance, and overhead costs.

Complete the payor information block as follows.

Enter the same payor name and code as used on Form MMS-4295, Gas Transportation Allowance Report. Enter the same AID Number and Selling Arrangement Code as used on Form MMS-2014.

Enter the transportation facility name or identification number (as designated by the payor) unique to the transportation facility.

Enter the transportation segment name or identification number (as designated by the payor) unique to the transportation segment. (Note: For a transportation facility consisting of only one segment, the segment name or identification number will be the same as the facility name or identification number.)

Enter the reporting period. The period must be the same period shown in item 6 on Form MMS-4295, Gas Transportation Allowance Report.

Instructions for Computing Operating, Maintenance, and Overhead Costs.

Note: If estimated costs are used for start-up, check the estimated cost block.

Identify and list on Part A and Part B all operating and maintenance costs directly attributable to the transportation facility/segment during the reporting period. If additional space is needed to identify or explain other cost items, complete and attach a Supplemental Schedule 1A noting the nature and amount of the cost.

Line 10 - Enter total operating costs (the sum of lines 1-9).

Line 16 - Enter total maintenance costs (the sum of lines 11-15).

Part C - Identify and list all overhead costs directly allocable and attributable to the operations and maintenance of the transportation facility/segment. If additional space is needed, complete and attach a Supplemental Schedule 1A noting the nature and amount of the expenditure.

Line 20 - Sum lines 17 through 19 to obtain the total overhead expenditures directly allocable to the facility/segment.

Line 21 - Sum lines 10, 16, and 20 to obtain the total operating costs.

Part E - Enter the lease volume transported through this segment and the total throughput of this segment. (Note: The total throughput quantity excluding waste products which have no value must be used.) Divide the lease volume by the total throughput and enter answer in 6 decimal places on line 22 (.XXXXXX).

Part F - Determine the allocated operating, maintenance, and overhead costs for the segment by multiplying line 21 times line 22 and enter on line 23. Enter in column (d) of Part A or B, Schedule 1, as appropriate.

Indicate by checking the appropriate box whether the information should be considered proprietary or nonproprietary.

ALLOWABLE AND NONALLOWABLE OPERATING, MAINTENANCE, AND CAPITAL COSTS

Allowable Capital Costs - Allowable capital costs are generally those costs for depreciable fixed assets (including costs of delivery and installation of capital equipment) which are an integral part of the transportation system. The following capital items are generally considered as allowable: garages and warehouses, rail haulage equipment including rail spurs, trucks, barges, pipeline compressors and pumps, and roads.

Nonallowable Capital Costs - Costs incidental to marketing (e.g., on-lease compression, gathering, separation, dehydration, storage, and treatment). Also, schools, hospital, roads, sewer and other capital improvements or equipment not an integral part of the transportation facility are not allowable capital costs. The capital cost associated with the preparation of an environment impact statement is not allowable. However, capital costs for environmental equipment which is an integral part of the transportation facility are allowable.

Allowable Operating Costs - Allowable operating and maintenance costs are those nondepreciable costs which are directly attributable to the operation and maintenance of a transportation facility/segment. These expenditures include the following:

1. Salaries and wages paid to employees and supervisors while engaged in the operation and maintenance of equipment and facilities.
2. Fuel and utility costs directly related to transporting lease products.
3. Chemicals (including rust preventives and thinning agents) and lubricants used for the purpose of enhancing flow protection, or cleaning.
4. Repairs, labor, materials, and supplies directly related to transportation equipment and facilities.
5. Port and toll fees, insurance and ad valorem property taxes (Federal and State income taxes are not allowable deductions).
6. Arm's-length rental, leasing, or contract service costs for equipment, facilities, on-site location or maintenance of equipment and facilities.
7. General administrative overhead costs (headquarters personnel, telephone service, payroll taxes, employee benefits, vehicle expenses, office supplies, etc.). The total of these costs shall be limited to those reasonable expenditures directly attributable and allocable to the operation and maintenance of the transportation equipment and facilities.

Nonallowable Operating Costs - 1. Costs incidental to marketing; e.g., on-lease gathering and storage, compression, separation, and dehydration; also, heaters, treaters, meters, water knockouts, ACT meters, meter sleds, and pumps (surface, subsurface, and circulating), and other operating costs associated with nonallowable capital expenditures which are not directly allocable or attributable to the transportation of lease products are not allowable.

2. Theoretical or actual line losses.
3. Federal and State income taxes, production taxes, royalty payments, or fees such as State severance taxes.
4. The value of fuel taken from the gas stream and used to run compressors and pumps.
5. Costs for services that the lessee is obligated to perform at no cost to the